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Central Intelligence Agency



Washington, D. C. 20505

## DIRECTORATE OF INTELLIGENCE

10 APR 1985

MEMORANDUM FOR: See Distribution List

FROM :   
Acting Chief, Economics Division, OGI

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SUBJECT : New GATT Round

Attached is a typescript recently produced by the Economics Division. It examines Brazilian positions on participation in the proposed new round of multilateral trade negotiations under GATT. If you have any questions or comments, please contact

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 of our International Trade Branch at 

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## Attachment:

New GATT Round: Brazilian Position   
GI M 85-10086C, April 1985

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SUBJECT: New GATT Round: Brazilian Position

OGI/ECD/T/[ ] (4 April 1985)

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## MEMORANDUM

New GATT Round: Brazilian Position

Since 1983 Brazilian officials have opposed the US initiative for a new round of GATT multilateral trade negotiations. In employing several tactics, they have yielded very little ground. This typescript briefly analyzes these efforts. [REDACTED]

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Brazilian Tactics

Brazil continues to show resistance to GATT consideration of new areas that US officials see as crucial to a new round. The most important of these is reduction of barriers to trade in services. Brazil has consented only to a GATT study group on services, and has not recognized GATT competence to regulate services. [REDACTED]

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Brasilia has used two initiatives to attempt to defeat a new GATT round, and has been supported by most major LDCs in GATT. [REDACTED]

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o The first initiative, which was presented in a position paper issued in May 1984 by the developing country GATT members, states that

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[REDACTED]  
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LDCs will consider participation in GATT talks only if the industrial countries eliminate many barriers to Third World exports and stop withdrawing GSP benefits. They merge these demands with stipulations on completion of parts of the 1982 GATT ministerial work program of interest to LDCs, such as pledges to work on agricultural trade rules, quantitative restrictions, safeguards, or textiles liberalization, or to "rollback" protectionist measures. Industrialized countries acknowledge the importance of the work program and its completion, but view the work program as a partial blueprint for a new round, and as a program to be completed during that round. [REDACTED]

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o The other initiative calls for a separate round of North-South negotiations to be held before any other multilateral trade negotiations. This proposal was unveiled by developing country GATT members at the organization's November 1984 annual meeting. Such negotiations would be restricted to trade in goods -- not services -- and to tariffs and nontariff barriers. Developing countries would only be required to partially match concessions made by industrial countries, and implementation of LDC concessions could be delayed. [REDACTED]

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[REDACTED]

A North-South round would greatly delay a broader GATT multilateral round. Although it borrows some features from a US North-South round proposal that was rejected by developing countries in 1982, it offers little to the industrialized countries, and they

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have shown no interest in it. Brazil and the other LDC Contracting Parties even make no promises that completion of a North-South round would result in their support for a subsequent GATT round of the type the United States now seeks. [REDACTED]

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#### Brazilian Motives

We believe Brazilian officials have several motives for leading the effort to block or delay a new GATT round:

(1) Defending Brazil's restrictive import regime. Despite recent minor import liberalizations, we believe there is no consensus in Brazil for the magnitude of trade liberalization that a GATT round might bring, particularly in light of Brazil's historic import substitution policies\* and its need to run large trade surpluses to aid debt service.

(2) Avoiding "graduation" to developed country GATT obligations. Under the GATT and the Tokyo Round Codes, developing countries receive "special and differential" treatment, such as trade preferences or relief from some rules. Brazil anticipates that in a new round industrial countries will try to reduce the special treatment accorded Brazil and other newly industrializing countries.

\*Brazil's industrial development since the 1960's has been dependent on fabrication in Brazil of as many products as possible, and protection of these new operations from foreign competition until they are able to compete in world markets. Frequently, however, in Brazil and other countries infant industry protection is never removed. Brazil constructed a complicated, redundant and bureaucratized system for administering imports that it is just beginning to simplify. [REDACTED]

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(3) Exercising leadership of the developing countries in GATT.

Brazil is not a leader in most Third World groups. The convergence between Brazilian and LDC interests in GATT is useful in bolstering Brazil's Third World credentials.

(4) Maintaining the primacy of the Foreign Ministry in formulation and implementation of Brazilian multilateral trade policy. This is particularly important because the new Finance Minister, Francisco Dornalles, will probably try to expand his ministry's role in trade negotiations, according to diplomatic reports. [REDACTED]

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The Brazilian-led initiatives also provide a pretext for Brazil and other sympathetic GATT member developing countries\* to maintain LDC unity in GATT. This, in turn, helps them to increase their influence in GATT through bloc behavior. The North-South proposal may also have some public relations value, to the extent it appears that the developing countries in GATT are willing to consider reducing their own import barriers. [REDACTED]

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#### Outlook

Brazil appears intent on delaying or blocking a new GATT round.

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[REDACTED] whether Brasilia might be willing to accept a quid

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\*Such as India, Argentina, Colombia, Egypt, or Yugoslavia. Some East Asian governments have shown interest in a new round. [REDACTED]

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[REDACTED]

pro quo (other than its current demands) for agreeing to a new GATT round. The LDC counterproposals do, however, contain elements that industrial countries might accept into a new round agenda (such as North-South negotiations) if Brazil and other LDCs eventually seek a face-saving way out of their current inflexible stance. Such a situation could also develop if Brazil were to lose the support of important LDCs. [REDACTED]

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